

UNITED STATES SENATE

GOVERNMENTAL AFFAIRS COMMITTEE

**SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE
FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA**

HEARING

“Pirates of the 21st Century: The Curse of the Black Market”

**Tuesday April 20, 2004
10:00 a.m.**

**WRITTEN STATEMENT OF THE GORMAN-RUPP COMPANY
Mansfield, Ohio**

On behalf of The Gorman-Rupp Company, I would like to thank Chairman Voinovich and the members of the Subcommittee for conducting this hearing and giving me the opportunity to testify regarding an important issue facing our Company and many other United States manufacturers.

Overview of the Issue

There is an increasing number of unauthorized foreign-made duplicate and near-duplicate copies of U.S. manufactured products, including pumps manufactured by The Gorman-Rupp Company, being imported into the United States. We have seen a steady growth of imports of these copies which are aimed directly at stealing our product designs, after-market parts, and, on occasion, our identity in the market place. Importation of these copies is affecting job retention and growth in U.S. Manufacturing and is deceiving consumers.

The copies are often referred to as “counterfeit,” “pirated” or “knock-off “ products. These terms have also been applied to copied computer software, movies and music compact discs. However, the problem goes much further than just these products.

About The Gorman-Rupp Company

The Gorman-Rupp Company is a Mansfield, Ohio based manufacturer of pumps, pumping systems and related equipment for many applications including water, wastewater, construction, industrial, petroleum, original equipment, agricultural, fire protection, heating, ventilating and air conditioning and military applications.

The Company was founded in Mansfield, Ohio in 1933, during the Great Depression, by two unemployed engineers who had some new ideas about how to design, manufacture and sell

pumps. One of these gentlemen was my grandfather. They borrowed \$1,500 and started The Gorman-Rupp Company. The \$1,500 is the only external capital that has ever been brought into the Company. Today the Company has \$200 million in annual sales and employs 1000 (600 in the State of Ohio). Gorman-Rupp and its products are recognized and respected throughout the world. The Company is truly an American manufacturing success story.

Competitive Environment in the Pump Industry

Competition has always been keen in the pump industry. Until recently, most competition was among manufacturers vying for market share with **their own** ideas, designs, engineering and manufacturing. Gorman-Rupp is not afraid of ethical competition. We welcome it. Competition has made us a better, smarter and more efficient company during our seventy-one years of operation.

Today, some foreign pump manufacturers have taken a less ethical approach to competition through stealing our designs, engineering and identity for monetary gain in pump and after-market part sales.

Comparative Examples of Gorman-Rupp and “Counterfeit” Pumps

Pictured below on the left are front and side views of the Gorman-Rupp T Series 4” self-priming centrifugal pump. This pump is one of our main products and is primarily used by municipalities for the handling of sewage.

Pictured below on the right are front and side views of the “knock-off” of the Gorman-Rupp pump, the Gresco (Brazil) “Model T” “4” self-priming centrifugal pump. This pump is now sold in the U.S. as “Series XT.” This pump is not only nearly visually identical to the Gorman-Rupp pump, but is also functionally identical in dimensions. Bombas Esco (Brazil), manufacturer of this pump, is a former distributor of Gorman-Rupp products. The introduction of the letters “GR” to the name of their line of pumps does not appear to be an accident.



Gorman-Rupp



Gresco



Gorman-Rupp



Gresco

Imbil (Brazil) has also produced similar nearly visually and functionally identical copies of Gorman-Rupp pumps.

The Process of Product “Counterfeiting”

Current technology has simplified the process of copying the trade dress and engineering of products. It is much easier to do so than in the past. All that is needed is one of the original products, the proper measuring equipment and an unethical competitor can be in business without the need for expensive research and development costs. Foreign manufacturers also enjoy much lower labor and overhead expenses than their U.S. counterparts (such as wages, health insurance, litigation expense, excess regulations, etc.). As a result, foreign copiers can sell pumps and parts at a much lower cost than their U.S. competitors. All of this is at the expense of the U.S. manufacturer that originally developed the product.

Protection From “Counterfeiting”?

Patents are helpful, but they do not eliminate pirating. In some cases, they even help explain your proprietary information, technology and trade secrets to a pirating company. It is also cost-prohibitive to patent your product in every country in the world.

Recent U.S. Supreme Court opinions have made it more difficult to protect trade dress. Trade dress is the external shape or packaging of an article. The trade dress of the Gorman-Rupp T Series pumps is known throughout the world.

Legal recourse against copied products in foreign courts is very time consuming, expensive and in some cases, almost impossible.

Sales “Counterfeiting”

Pirating companies or their distributors many times use the sales tactic, “It’s just the same as the original product or part.” In some cases, they purposely confuse the customer into believing that what they are purchasing is a Gorman-Rupp product or part.

Pirates have deceived some Gorman-Rupp U.S. customers who have learned to their expensive dismay after purchasing copied pumps and parts that they are not truly interchangeable with, and do not possess the quality of, Gorman-Rupp products.

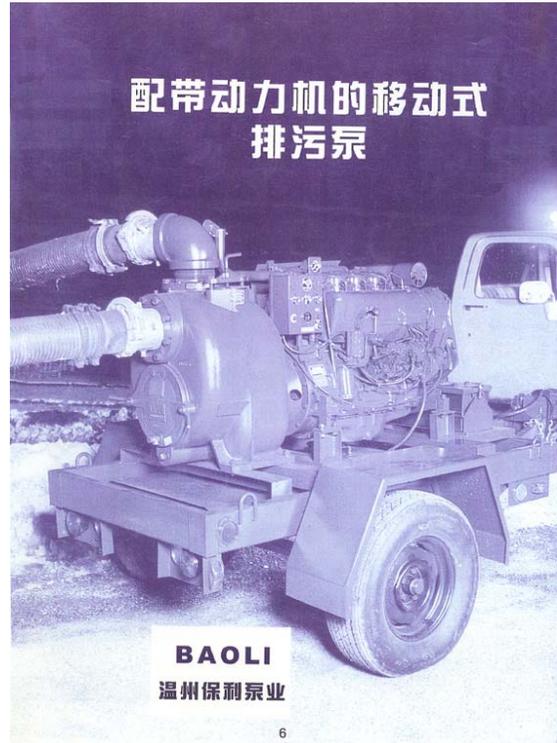
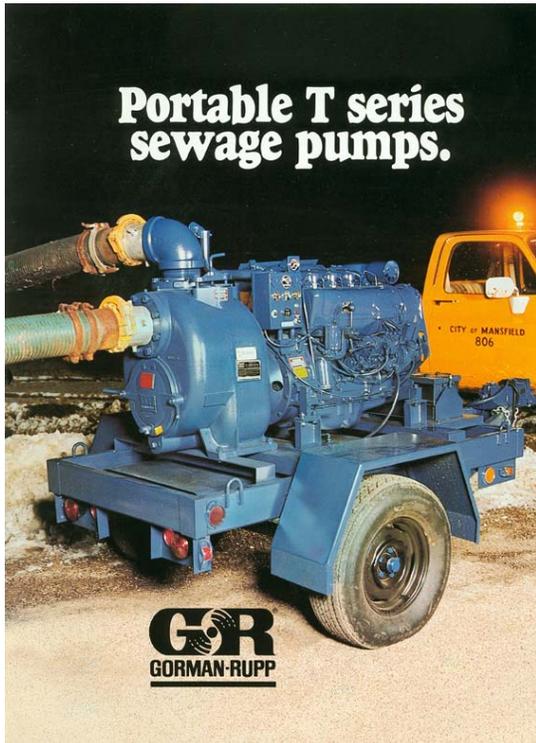
Advertising Literature “Counterfeiting”

Pirating does not stop with the copying of physical products. Gorman-Rupp recently became aware of a Chinese company, Baoli, that not only copied the trade dress and design of our pumps; they also copied our advertising literature.



Please note the familiar shape.

Baoli's brochure contains product pictures with the Gorman-Rupp trademark still displayed on them.



The Chinese knock-off pumps will find their way to the U.S. market if we do not have some form of legislative or administrative protection.

The Brazilian pirates have also copied Gorman-Rupp advertising material, product manuals and product performance specifications.

Gorman-Rupp's Dilemma

We have found that little or no assistance is available from existing legislation and administrative agency authority.

Gorman-Rupp's Recommendations:

Gorman-Rupp asks for the following to be considered:

1. Establish a single point of contact within the Department of Commerce that is specifically directed and funded to assist U.S. manufacturers that have had their products pirated.
2. Levy stiff import duties on proven importers of pirated U.S. products.

The Gorman-Rupp Company does not want to stand in the way of honest competition. As stated before, we welcome it. However, we need to level the playing field against pirating of our own products and identity.

Chairman Voinovich and members of the Subcommittee, we have a common goal: retention and creation of jobs. Through introduction of legislation and procedures that will seriously impede the importation of pirated products and parts, we will be able to expand and grow in the United States.

Thank you for the attention you have given our issue. I look forward to working with you and your staff in order to further address this problem.

Jeffrey S. Gorman
President and CEO
The Gorman-Rupp Company